

# CURRENT CONDITIONS INDEX

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Rhode Island's economy continued moving forward in September, gaining some of the momentum it lost in August, moving back towards the more rapid pace of activity we witnessed during the earlier months of this recovery (restoration). Were the current situation a movement out of a *cyclical* recovery, I would state that since the Current Conditions Index has now been in the expansion range for six consecutive months, Rhode Island is clearly in a recovery. However, what we have been through is hardly a cyclical recession. It is much more of a forced shutdown or a suppression. Therefore, the usual way of gauging whether a recovery has occurred does not really pertain here. Quite possibly the recovery (restoration) call could have been made after just three of four months, which means Rhode Island's restoration more likely began in May or June. However, there are so many issues with the economic data ("noise"), even this possibility might not be accurate. Let me illustrate this.

The September data contained what I view as ridiculous jumps in our state's **Labor Force** and Resident Employment. If we are to believe the data, Resident Employment, the number of employed Rhode Island residents, surged from 503,800 in August to 547,100 in September, a rise of 43,300, a value *that is typically two to three full years of increases in this measure!* While this occurred, the other employment measure, payroll employment, rose by only 2,000. For the record: In all my time analyzing Rhode Island's economy, I have never seen a divergence between these two measures anywhere near what the current data appear to show. Worse yet, **New Claims**, the most timely measure of layoffs, has been dramatically reduced due to the prevalence of massive jobless benefit fraud. In spite of all of this, it is the direction of Rhode Island's economy that I am confident about — we continue to move forward. The magnitudes might not be known until the next labor data rebenchmarking in February. So,

CCI Indicators - % Change	
Government Employment	5.8 Y
US Consumer Sentiment	-9.4
Single-Unit Permits	-9.2
Retail Sales	15.8 Y
Employment Services Jobs	1.0 Y
Priv. Serv-Prod Employment	2.5 Y
Total Manufacturing Hours	11.6 Y
Manufacturing Wage	9.6 Y
Labor Force	3.5 Y
Benefit Exhaustions	-92.6 Y
New Claims	-59.7 Y
Unemployment Rate (change)	-5.7 Y

Y = Improved Value

while we continue to see an uneven recovery, based on available data, we have no idea how uneven it actually is! The changes in economic indicators are a mix of adverse pandemic effects being offset by a great deal of

the impact of re-opening parts of our state's economy and don't forget monetary and fiscal policy. I expect it to take two to three years before we return to "normal," even with the "sugar high" from all the federal money, since this will prevent our elected officials from making the structural improvements we need.

For September, the Current Conditions Index rose from its revised August value of 75 to 83, as ten of the twelve CCI indicators improved. Part of our recent strength is the continuation of easy "comps" from last year. In spite of this, the CCI has remained in expansion territory since April, and hopefully will continue the broadening of the pace of our economy.

Looking at individual indicator performances for September, **Retail Sales** remained the star CCI performer, rising by 15.8 percent from a year ago, which was its eighth consecutive double-digit increase. Of the five leading indicators present in the CCI, only three improved in September, and all of these had very easy "comps." Perhaps the most impressive of these is **Total Manufacturing Hours**, which increased again at a double-digit rate (+11.6%), its sixth consecutive double-digit improvement. The very large revisions to **New Claims** continue, based on the removal of fraudulent claims. Based on this "cleaner" data, **New Claims**, which reflect layoffs, fell by 59.7 percent from their value last September which is not all that impressive since its "comp" was a 511 percent rise! **Employment Service Jobs** rose, but barely (+1.0%) for the second consecutive month. **Single-Unit Permits** fell by 9.2 percent, roughly the same decline as last month. **US**

CCI Indicators - Monthly % Change	
Government Employment	5.4 Y
US Consumer Sentiment	-0.6
Single-Unit Permits	-5.1
Retail Sales	2.5 Y
Employment Services Jobs	1.8 Y
Priv. Serv-Prod Employment	-2.2
Total Manufacturing Hours	-1.0
Manufacturing Wage	0.9 Y
Labor Force	7.9 Y
Benefit Exhaustions	-35.8 Y
New Claims	37.7
Unemployment Rate (change)	-0.6 Y

Y = Improved Value

**Consumer Sentiment** fell sharply. Rhode Island's **Labor Force** exploded over August but rose by 3.5 percent compared to last September.

The monthly CCI rose back to 58, back in expansion range after several months of weakness.

LABOR FORCE:	SEP 2021	Peak (1/2007)
Participation Rate	66.8%	68.6%
Employment Rate	63.3%	65.4%



JOB CHURN	
DLT SEP 2021 (SA,Y/Y)	
Gain	18,900
Loss	1,200
Net Chg	17,700

83		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2020	67↓	67↓	25↓	8	8	25	17↓	25	17↓	17	25	25
	2021	25	17	42	75	83↓	92↑	100	75↑	83			